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| EXAMINER | |
|---|---|
| MILEF, ELDA G | |
| **ART UNIT** | **PAPER NUMBER** |
| 3628 | |

DATE MAILED: 01/12/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

| Office Action Summary | Application No. 09/829,072 | Applicant(s) CLIFT, JOHN LAWRENCE | |
|---|---|---|---|
| | Examiner Elda Milef | Art Unit 3628 | |

*-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --*

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

1)☒ Responsive to communication(s) filed on *19 October 2005*.

2a)☒ This action is **FINAL**. 2b)☐ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

4)☒ Claim(s) *1-21* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-21* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

**Application Papers**

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

1) ☐ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application (PTO-152)
6) ☐ Other: _____.

**DETAILED ACTION**

***Priority***

1. Acknowledgment is made of applicant's claim for foreign priority based on an application filed in Australia on April 7, 2000. It is noted, however, that applicant has not filed a certified copy of the Australian provisional application no. PQ6774 as required by 35 U.S.C. 119(b). Appropriate correction is required.

***Claim Rejections - 35 USC § 103***

2. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

3. Claims 1, 2, 4, 5, 13,14,16, 18,and 19 are rejected under 35 U.S.C. 103(a) as being unpatentable over Carlson (Carlson, Robert P. *Physician Practice Management Companies: Too Good to Be True? Family Practice Management,* (April, 1998)) in

view of Jackson (Jackson, Pamela Z. *Practice valuation in Healthcare. The National Public Accountant*. Feb/Mar 2000. Vol.45, Iss.1.

**Re claim 1:** Carlson discloses:

an IBU representing a person in the economic entity. Carlson discloses a Physician Practice Management Company (PPMC) as an economic entity and the individual business unit being a solo practitioner. ("Throughout the country, solo practitioners, group practices…are looking for partners with the necessary capital and organizational expertise and experience to help them innovate and grow." --see page 1, paragraph 2.).

determining a portion of a future revenue of an economic entity which is attributable to an individual business unit (IBU); determining a portion of a future cost of the economic entity which is attributable to the IBU; determining a future profit of the economic entity which is attributable to the IBU. Carlson discloses "How much a PPMC will pay for a medical practice depends on the PPMC, the practice, local market conditions and a variety of other factors. Practice valuation can be calculated as a multiple of annual practice revenues or of earnings before interest and taxes. "(-see page 6, para. 2). In determining the value of an economic entity, Carlson

discloses calculating annual practice earnings. The examiner defines earnings as net income or profit. The examiner defines profit as the balance of revenue after the deduction of costs and expenses. Therefore, Carlson discloses the determination of revenue, cost, and profit attributable to the IBU, because it is inherent that revenue and cost be determined in order to determine profit.

capitalizing the determined profit of the IBU ("If you sell your practice to a PPMC, the proceeds are taxed as a capital gain at a lower rate. So by capitalizing part of your compensation from your practice, you end up paying less in taxes on the same amount of money." .--see page 6, paragraph 6.) It is well known in the art that the valuation of a business entity is determined by the capitalization of expected future profit.

Although Carlson does disclose the determination of revenue, cost and profit, attributable to the IBU, he does not indicate if this determination is based on future or past revenue, cost, and profit. Jackson however, discloses three approaches to practice valuation one of which states (" A commonly used income approach to valuing a practice is the discounted cash flow that establishes value around predictions of future earnings." --see page 4, paragraph 1.) Therefore, it

would have been obvious to one having ordinary skill in the art at the time of the applicant's invention to modify Carlson to include that the determination of revenue, cost, and profit of the economic entity is based on future activity in order to effectively value the IBU.

**Re claim 2:** Carlson does not disclose the step of:

capitalizing includes multiplying the determined profit by a number of periods over which the IBU is to be valued. Jackson does disclose ("Future earnings are forecast several years into the future and these estimates are used to value the practice."—see page 4, paragraph 2). It would have been obvious to one having ordinary skill in the art at the time of the applicant's invention to modify Carlson to include the step of multiplying the future earnings by a number of years or periods in order to estimate the value of a practice.

**Re claim 4:** Carlson discloses:

the capitalized profit is a tradable commodity that can be sold by the IBU, further comprising determining from the capitalized profit a cash portion and an equity portion for sale to a purchasing entity, the equity portion representing an equity stake in the purchasing entity buying the capitalized value of the IBU. ("Selling your practice

to a PPMC for a lump-sum payment consisting of stock, cash or a combination of the two can generate a substantial windfall in your personal finances.") --see page 6, para. 5.

The examiner is interpreting "the capitalized value" to mean the capitalized profit.

**Re claim 5**: Carlson discloses:

repaying the capitalized value from a future profit attributed to the IBU.

(" For a percentage of the group's profits, called the pre-distribution pool of funds or pre-compensation margin, the PPMC agrees to provide the group with a variety of resources, such as capital, management expertise, strategic planning, access to managed care contracts and an information infrastructure. PPMC management fees range from 15 percent to 20 percent of practice profits."--see page 5, para. 8).

Carlson does not specifically disclose that the profit is a "future" profit. However, Carlson discloses ("Management services agreements between PPMCs and independent practice associations IPAs generally last from seven to 15 years."—see page 4, para 5 ). Therefore, it is inherent that the repayment of the capitalized value will be from a future profit stream

e.g. seven to fifteen years. The examiner is interpreting "the capitalized value" to mean the capitalized profit.

**Re claim 13:** Carlson discloses:

determining a portion of a future profit of an economic entity which is attributable to an individual business unit (lBU). ("How much a PPMC will pay for a medical practice depends on the PPMC, the practice, local market conditions and a variety of other factors. Practice valuation can be calculated as a multiple of annual practice revenues or of earnings before interest and taxes. "--see page 6, paragraph 2.) In determining the value of an economic entity, Carlson discloses calculating annual practice earnings. The examiner defines earnings as net income or profit.

the IBU representing one person among a plurality of persons in the economic entity and the determined profit being owned by the IBU. ("Throughout the country, solo practitioners, group practices…are looking for partners with the necessary capital and organizational expertise and experience to help them innovate and grow." --see page 1, paragraph 2.).

capitalizing the determined profit of the IBU. ("If you sell your practice to a PPMC, the proceeds are taxed as a

capital gain at a lower rate. So by capitalizing part of your compensation from your practice, you end up paying less in taxes on the same amount of money." .--see page 6, paragraph 6.) It is well known in the art that the valuation of a business entity is determined by the capitalization of expected future profit.

the capitalized profit being a tradable commodity that can be sold by the IBU. ("Selling your practice to a PPMC for a lump-sum payment consisting of stock, cash or a combination of the two can generate a substantial windfall in your personal finances.")--see page 6, para. 5.

Although Carlson does disclose the determination of profit, attributable to the IBU, he does not indicate if this determination is based on future or past profit. Jackson however, discloses three approaches to practice valuation one of which states (" A commonly used income approach to valuing a practice is the discounted cash flow that establishes value around predictions of future earnings." --see page 4, paragraph 1.) Therefore, it would have been obvious to one having ordinary skill in the art at the time of the applicant's invention to modify Carlson to include that the determination of profit of the economic entity is based on future activity in order to effectively value the IBU.

**Re claim 14:** Carlson discloses:

determining from the capitalized profit a cash portion and an equity portion for sale to a purchasing entity, the equity portion representing an equity stake in the purchasing entity buying the capitalized value of the IBU. ("Selling your practice to a PPMC for a lump-sum payment consisting of stock, cash or a combination of the two can generate a substantial windfall in your personal finances.") --see page 6, para. 5.

**Re claim 16:** Carlson does not disclose the following formula:

$$w = (Pn - sv - cv/a) \times t$$

wherein w is the capitalized profit, Pn is the determined profit attributable to the IBU, sv is a salary sacrifice by the IBU, cv is a cost saving attributable to the IBU, a is a division factor for apportioning the cost saving between the purchasing entity and the IBU, and t is a number of time periods over which the determined profit is capitalized.

Although Carlson does not specifically disclose this formula for the calculation of capitalized profit, this formula is interpreted by the examiner as being common knowledge and that it is essentially calculating earnings or profit after

expenses over a specified period of time. This formula represents a well know equivalent in the art. The profit to be capitalized would be calculated from the revenue attributable to a person or persons less expenses such as compensation less any residual profit that is attributable to reducing expenses or increasing revenue. This is commonly multiplied by a time period in order to value a business based on future earnings. Therefore, it would have been obvious to one skilled in the art at the time of the applicant's invention to have modified Carlson to include this formula in order to disclose another valuation method.

**Re claim 18:** Carlson discloses:

the IBU representing one worker among a plurality of workers in the economic entity and the determined profit being owned by the IBU. ("Throughout the country, solo practitioners, group practices…are looking for partners with the necessary capital and organizational expertise and experience to help them innovate and grow." --see page 1, para. 2).

determining a portion of a future revenue of an economic entity which is attributable to an individual business unit (IBU); determining a portion of a future cost of the economic entity which is attributable to the IBU; determining a future profit of the economic entity which is attributable to

the IBU. Carlson discloses "How much a PPMC will pay for a medical practice depends on the PPMC, the practice, local market conditions and a variety of other factors. Practice valuation can be calculated as a multiple of annual practice revenues or of earnings before interest and taxes. "(-see page 6, para. 2). In determining the value of an economic entity, Carlson discloses calculating annual practice earnings. The examiner defines earnings as net income or profit. The examiner defines profit as the balance of revenue after the deduction of costs and expenses. Therefore, Carlson discloses the determination of revenue, cost, and profit attributable to the IBU, because it is inherent that revenue and cost be determined in order to determine profit.

the determined profit being owned by the IBU. ("For a percentage of the group's profits, called the predistribution pool of funds or precompensation margin, the PPMC agrees to provide the group with a variety of resources, such as capital, management expertise, strategic planning, access to managed care contracts and an information infrastructure. PPMC management fees range from 15 percent to 20 percent of practice profits. ") - see page 5, para. 8.

capitalizing the determined profit of the IBU. ("If you sell your practice to a PPMC, the proceeds are taxed as a

capital gain at a lower rate. So by capitalizing part of your compensation from your practice, you end up paying less in taxes on the same amount of money.".--see page 6, paragraph 6). It is well known in the art that the valuation of a business entity is determined by the capitalization of expected future profit.

and selling the capitalized profit to a purchasing entity. ("If you sell your practice to a PPMC, the proceeds are taxed as a capital gain at a lower rate. So by capitalizing part of your compensation from your practice, you end up paying less in taxes on the same amount of money." -see page 6, para.6).

Although Carlson does disclose the determination of revenue, cost and profit, attributable to the IBU, he does not indicate if this determination is based on future or past revenue, cost, and profit. Jackson however, discloses three approaches to practice valuation one of which states (" A commonly used income approach to valuing a practice is the discounted cash flow that establishes value around predictions of future earnings." --see page 4, paragraph 1.) Therefore, it would have been obvious to one having ordinary skill in the art at the time of the applicant's invention to modify Carlson to include that the determination of revenue, cost, and profit of

the economic entity is based on future activity in order to effectively value the IBU.

**Claim 19** has similar limitations found in claim 16 above, therefore is rejected by the same rationale.

4. Claim 3 is rejected under 35 U.S.C. 103(a) as being unpatentable over Carlson in view of Jackson as applied to claim 1 above, in further in view of Halloran (Halloran, John A. and Howard P. Lanser., *Introduction to Financial Management*, 1985).

**Re claim 3:** Carlson and Jackson do not disclose the step of:

capitalizing includes discounting the determined profit to a present value, however, it is well known in the art that calculating the present value of future cash flows is a common practice when valuing a business entity. For example, Halloran teaches("a mathematical technique for discounting future cash flows back to their present value." See page 185, para. 1, **Investment Valuation Model**). Therefore, it would have been obvious to one having ordinary skill in the art at the time of the applicant's invention to have modified Carlson to

include the step of discounting the profit to a present value in order to accurately value a business entity.

5. Claims 6, 7, and 15 are rejected under 35 U.S.C. 103(a) as being unpatentable over Carlson in view of Jackson applied to claims 1 and 13 above, and further in view of Kennedy (Kennedy, Kevin M. and David A. Wofford, *Physician Equity in Health Care Delivery Systems: Three Alternative Models, Journal of Health Care Finance*; Winter 1998.

**Re claim 6:** Carlson discloses:

buying by a purchasing entity the capitalized profit. ("If you sell your practice to a PPMC, the proceeds are taxed as a capital gain at a lower rate. So by capitalizing part of your compensation from your practice, you end up paying less in taxes on the same amount of money." .--see page 6, para.6.) It is well known in the art that the valuation of a business entity is determined by the capitalization of expected future profit.

Carlson and Jackson do not disclose sharing between the purchasing entity and the IBU any additional profit that is generated during the predetermined period through a reduced cost attributable to the IBU or an increased revenue attributable to the IBU. Kennedy shows three organizational models representing

business entities. In one model, Kennedy describes the attributes present in the model that includes profit sharing. ("While all levels of integration include provisions for the physician to become an equity holder in the enterprise, they vary in terms of the physician's obligation to accept risk contracts, pricing of practice management services, and access to profit sharing and capital appreciation."–see page 41, col. 2, paragraph 2). In another model, Kennedy discloses ("This financial structure, shown in Figure 4c, aligns incentives to increase revenue and decrease expenses." ) - see page 44, col. 2, paragraph 3 and figure 4c, page 46 (Profit and Shareholder Distributions)

**Re claims 7:** Carlson does not disclose the following formula:

$$w = (Pn - sv - cv/a) \times t$$

wherein w is the capitalized profit, Pn is the determined profit attributable to the IBU, sv is a salary sacrifice by the IBU, cv is a cost saving attributable to the IBU, a is a division factor for apportioning the cost saving between the purchasing entity and the IBU, and t is a number of time periods over which the determined profit is capitalized.

Although Carlson does not specifically disclose this formula for the calculation of capitalized profit, this formula is interpreted by the examiner as being common knowledge and that

it is essentially calculating earnings or profit after expenses over a specified period of time. This formula represents a well know equivalent in the art. The profit to be capitalized would be calculated from the revenue attributable to a person or persons less expenses such as compensation less any residual profit that is attributable to reducing expenses or increasing revenue. This is commonly multiplied by a time period in order to value a business based on future earnings. Therefore, it would have been obvious to one skilled in the art at the time of the applicant's invention to have modified Carlson to include this formula in order to disclose another valuation method.

**Claim 15** has similar limitations found in claim 6 above, therefore is rejected by the same rationale.

6. Claim 8 is rejected under 35 U.S.C. 103(a) as being unpatentable over Carlson in view of Jackson further in view of Kennedy and further in view of Gibbons (Gibbons, Robert, *Incentives in Organizations, The Journal of Economic Perspectives*, Vol. 12, No.4 (Autumn, 1998)).

**Re claim 8:** Carlson, Jackson, and Kennedy do not disclose:

Pn is determined by multiplying the future revenue of the economic entity by an allocation factor for the IBU. Gibbons shows a method of calculating worker's potential contribution to and economic entity. ("To be concrete, let y now denote the firm's assessment of the worker's potential contribution to future firm value, based on the worker's performance …") - see page 124, para. 2. Therefore, it would have been obvious to one having ordinary skill in the art at the time of the applicant's invention to modify Carlson to include calculating Pn to determine an employee's contribution to the business entity in order to track revenue and expenses to be used in the valuation of the business entity.

7. Claims 10,11,12, and 20 are rejected under 35 U.S.C. 103(a) as being unpatentable over Carlson in view of Jackson as applied to claims 1 and 18 above, and further in view of Gibbons ( Gibbons, Robert, *Incentives in Organizations, The Journal of Economic Perspectives*, Vol. 12, No.4 (Autumn, 1998)).

**Re claim 10:** Carlson and Jackson do not disclose:

determining an allocation factor for each IBU in the economic entity, and the profit attributable to each IBU is

determined according to the allocation factor for the each IBU. Gibbons shows a method of calculating worker's potential contribution to an economic entity. ("To be concrete, let y now denote the firm's assessment of the worker's potential contribution to future firm value, based on the worker's performance …") - see page 124, para. 2. Therefore, it would have been obvious to one having ordinary skill in the art at the time of the applicant's invention to modify Carlson to include determining an allocation factor for each entity and applying the factor to determine profit attributable to an employee in order to track revenue and expenses to be used in the valuation of the business entity.

**Re claim 11:** Carlson and Jackson do not disclose:

determining an allocation factor for the IBU in the economic entity, and wherein the revenue, cost and profit attributable to the IBU are determined according to the same allocation factor for the IBU. Gibbons shows a method of calculating worker's potential contribution to an economic entity. ("To be concrete, let y now denote the firm's assessment of the worker's potential contribution to future firm value, based on the worker's performance …") - see page 124, para. 2. Therefore, it would have been obvious to one having ordinary

skill in the art at the time of the applicant's invention to modify Carlson to include determining an allocation factor for the IBU and applying the factor to determine revenue, cost, and profit attributable to an employee in order to track revenue and expenses to be used in the valuation of the business entity.

**Re claim 12:** Carlson and Jackson do not disclose

determining a profit allocation factor for a portion of the future profit of the economic entity which is associated with an indirect IBU, the indirect IBU representing a person in the economic entity and having no attributable revenue; and determining the associated profit according to the determined profit allocation factor.

Gibbons shows a method of calculating a worker's potential contribution to an economic entity. ("To be concrete, let y now denote the firm's assessment of the worker's potential contribution to future firm value, based on the worker's performance …") - see page 124, para. 2. Therefore, it would have been obvious to one having ordinary skill in the art at the time of the applicant's invention to modify Carlson to include determining an allocation factor for the portion of the future profit associated with an employee having no attributable

revenue in order to track revenue and expenses used in the valuation of the business entity.

**Claim 20** has similar limitations found in claim 8 above, therefore is rejected by the same rationale.

8. Claims 9,17, and 21 are rejected under 35 U.S.C. 103(a) as being unpatentable over Carlson in view of Jackson as applied to claims 1, 13, and 18 above, and further in view of Lindstrom ( Richard L Lindstrom, George L Spaeth, R Bruce Grene, Gregory W Kraupa. *Comanagement, Ophthalmic Surgery and Lasers. Jan 1998*. Vol. 29, Iss. 1).

**Re claims 9**: Carlson discloses:

buying by a purchasing entity the capitalized profit. ("If you sell your practice to a PPMC, the proceeds are taxed as a capital gain at a lower rate. So by capitalizing part of your compensation from your practice, you end up paying less in taxes on the same amount of money." .--see page 6, paragraph 6.) It is well known in the art that the valuation of a business entity is determined by the capitalization of expected future profit.

Carlson and Jackson do not disclose:

contracting with the IBU to permit the purchasing entity to collect at least a portion of referral fees from third party entities that are referred to by the IBU. Lindstrom discloses ("A larger and larger percentage of ocular surgery is being done by a smaller and smaller percentage of surgeons. Dr. Spaeth may contend this is due to surgeons' buying referrals via fee splitting.") - see page 8, para. 1. It would have been obvious to one with ordinary skill in the art at the time of the applicant's invention to modify Carlson to incorporate referral fees from third parties in order to increase revenue.

**Re claim 21:** Carlson and Jackson do not disclose:

contracting with the IBU to permit the purchasing entity to collect at least a portion of referral fees from third party entities that are referred to by the IBU.

Lindstrom discloses ("A larger and larger percentage of ocular surgery is being done by a smaller and smaller percentage of surgeons. Dr. Spaeth may contend this is due to surgeons' buying referrals via fee splitting.") - see page 8, para. 1. It would have been obvious to one with ordinary skill in the art at the time of the applicant's invention to modify Carlson to

incorporate referral fees from third parties in order to increase revenue.

**Claim 17** has similar limitations found in claim 9 above, therefore is rejected by the same rationale.

***Response to Arguments***

9. Applicant's arguments filed 10/19/2005 have been fully considered but they are not persuasive.

Re claims 1,13, 18:

In response to applicant's argument that Carlson does not disclose or suggest the IBU of the present invention. The applicant claims that the IBU is "a person in the economic entity" and as such, Carlson discloses a person or persons ("solo practitioners, group practices…") in an economic entity ("Physician Practice Management Company (PPMC)").

In response to applicant's argument that Carlson does not disclose or suggest the following:

determining a portion of a future revenue of an economic entity which is attributable to an IBU and that Carlson is silent regarding the determination of a future revenue, and of the attribution of a portion of that future revenue to the IBU; and

that Carlson does not disclose or suggest capitalizing a future profit stream, or that the capitalized future profit stream is attributable to the IBU;

The applicant's attention is directed to p.7, para. 2 of the office action wherein the Examiner cites that although Carlson does disclose the determination of revenue, cost, and profit attributable to the IBU, he does not indicate if this determination is based on future or past revenue, cost, or profit. And as such, the Examiner refers to Jackson whom discloses three approaches to practice valuation one of which states ("A <u>commonly used income approach to valuing a practice</u> is the discounted cash flow that establishes value around <u>predictions of future earnings</u>"-see page 4, para. 12) [emphasis added]. It is therefore obvious to one having ordinary skill in the art of accounting that it is common that in the valuation of a business entity, future profits, revenue, earnings are considered as shown by Jackson. In response to applicant's arguments against the references individually, one cannot show nonobviousness by attacking references individually where the rejections are based on <u>combinations of references</u>[emphasis added]. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981); *In re Merck & Co.*, 800 F.2d 1091, 231 USPQ 375 (Fed. Cir. 1986).

In response to the applicant's suggestion that Carlson does not disclose or suggest capitalization through the utilization of a discount factor, as described in the disclosure p. 7, lines 1-4, the applicant's attention is directed to p.14 of the office action wherein the Examiner discloses that calculating the present value of future cash flows is a common practice as evidenced by the Halloran reference.

Re claims 3, 6, 8-12, 15, 17, 20-21: In response to the applicant's suggestion that the references do not disclose or suggest the methods and result of the present application.

Re claim 3: Carlson, Jackson, and Halloran disclose the mathematical technique for discounting future cash flows back to their present value, and when combined with Carlson, disclose the limitations in claim 3.

Re claims 6 & 15: Carlson and Jackson disclose capitalizing part of compensation from a practice and combined with Kennedy disclose profit sharing.

Re claims 8, 10-12, 20: Carlson, Jackson and Gibbons disclose a method of determining an employee's potential contribution to future firm value based on worker's performance.

Re claims 9, 17, 21: Lindstrom in combination with Carlson and Jackson teach selling a practice to a Physician

Practice Management Company in order to obtain capital and splitting any referral fees collected by a physician practice between the physician(s) and the purchasing entity.

In response to applicant's argument that there is no suggestion to combine the references, the examiner recognizes that obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. See *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988)and *In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992).

### *Conclusion*

10. **THIS ACTION IS MADE FINAL.** Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will

expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Elda Milef whose telephone number is (571)272-8124. The examiner can normally be reached on Monday - Friday 9:15 am to 5:45 pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung Sough can be reached on (571)272-6799. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

HYUNG SOUGH
SUPERVISORY PATENT EXAMINER
TECHNOLOGY CENTER 3600